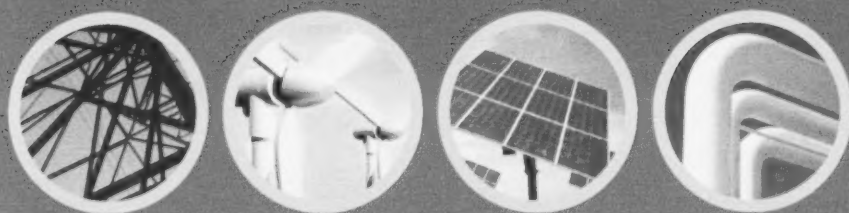




ONTARIO ENERGY BOARD

2009-10 | ANNUAL REPORT



ONTARIO'S ENERGY SECTOR AT A GLANCE

Electricity Consumers:

4.7 million

Electricity Distributors:

681,000 km² Total service area

196,815 km Total km of line

Natural Gas Consumers:

3.2 million

Ontario Energy Board Regulates/Licenses:

252	electricity generators
80	rate-regulated electricity distributors (87 licensed entities)
5	rate-regulated electricity transmitters (6 licensed entities)
132	electricity wholesalers
56	electricity retailers
19	smart sub-meterers
3	natural gas distributors
39	natural gas retailers
	Ontario Power Authority (OPA)
	Independent Electricity System Operator (IESO)
	Smart Metering Entity (SME)

OUR MANDATE

The Ontario Energy Board regulates the province's electricity and natural gas sectors in the public interest. Our mandate is determined by the provincial government and is embodied in legislation and regulations.

OUR VISION

The Board envisions a viable and efficient energy sector with informed consumers served by responsive regulation that is effective, fair and transparent.



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A MESSAGE FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER

This past year has been one of the most productive periods of policy regulatory development at the Board since electricity market opening in 2002. Our policy development included substantial work related to the implementation of the regulatory framework required by the *Green Energy Act, 2009 (GEA)*.

The Board laid the foundation for electricity infrastructure development as envisioned by the Act and revised, where appropriate, its policies and codes to reflect the changes in the governing legislation. An overview of the Board's activities with respect to the GEA is set out in the body of this report.

The Board accepted these new challenges within a dynamic energy sector while maintaining its focus on ongoing regulatory matters. This core work includes the important responsibility of examining the prudence of costs and the reasonableness of rates while also enabling appropriate investment in the sector to maintain system reliability.

The Board also engaged in a number of initiatives related to the natural gas sector. This included issuing filing guidelines, holding hearings on the methodology to be used by distributors for gas pricing, load balancing and cost allocation, developing storage and transportation access rules and introducing a consultative process for developing multi-year incentive regulation for natural gas utility rates.

In undertaking its mandate, the Board relies on the skills, knowledge and experience of its people. During this extremely busy period, they again excelled in their execution, offering consistently high levels of service.

In March 2010, we welcomed the considerable regulatory and industry experience of Paula Conboy as she was appointed to the Board. I was pleased to announce that Marika Hare, who joined the Board as a Managing Director in 2006, was appointed to the Board, beginning in April 2010. Marika also brings considerable expertise in the energy sector to the Board. I look forward to the contribution they will both make. I would also like to congratulate Cynthia Chaplin on her appointment as Vice-Chair. Cynthia served as a full-time

Board member for six years and brings outstanding skills and experience to the position.

This year was also a time for goodbyes. I would like to express my appreciation to former Vice-Chair Pamela Nowina, who chose not to seek reappointment to the Board. Her management skills, balanced decisions and thoughtful deliberation on policy matters helped to steer the Board in the right direction through times of considerable change.

The Board also bid farewell to David Balsillie, who announced his retirement this year after serving as a part-time Board member since 2007. His expertise and sound judgment will be missed.

The year closed with the completion of a Memorandum of Understanding with the Minister of Energy, Brad Duguid. This Memorandum establishes accountability relationships between the Board Chair and Minister and clarifies the operational roles and responsibilities of the Chair, the Board's Management Committee and the Minister.

I would like to acknowledge and thank the many stakeholders whose ongoing counsel and cooperation greatly support the work of the Board.

Next year will mark the 50th anniversary of the Ontario Energy Board – a milestone of service to the people of Ontario. I am confident that the Board is better positioned than ever to provide Ontario's energy sector, and indeed all Ontarians, with regulation marked by transparent processes, timely decisions and workable solutions.

Howard I. Wetston, Q.C.
Chair and Chief Executive Officer



A MESSAGE FROM THE CHIEF OPERATING OFFICER

Each year, the Ontario Energy Board strives to improve its performance and enhance its accessibility to both industry and consumers. To ensure accountability, an independent auditor evaluates the Board's performance against its published Business Plan and the results are posted on the OEB website.

This year, the independent audit reported that the Board achieved 95.2 per cent of its objectives and performance measures as identified in the 2009-12 Business Plan. This result is particularly impressive given the significant changes – and additional workload – brought about by passage of the *Green Energy Act, 2009* (GEA).

With respect to the GEA, the Board endeavoured to ensure that its regulatory framework, including its codes and policies, was aligned with the new legislative framework. During the course of this work, the Board undertook considerable outreach through speaking engagements, webcasts, workshops, and publications on the OEB website in order to keep all stakeholders informed of the Board's work in this area.

The Board also initiated work in respect of the *Energy Consumers Protection Act* (ECPA). This legislation will bring into force a new regime of consumer protection in the retail natural gas and electricity sectors.

The Board's website is an increasingly vital tool in communicating important initiatives such as our work with respect to the GEA and consumer protection. It receives more than 390,000 visits a year. We have redesigned our web presence to create one site that is dedicated to the needs and interests of industry participants and another site that is dedicated to the needs and interests of energy consumers. A new and unique feature of the consumer site is an online bill calculator that enables consumers to estimate their electricity costs. A similar online calculator for natural gas is planned for the summer of 2010. New features, such as the calculator, immediately increased traffic to the OEB website by approximately 25 per cent.

The Board is funded through assessments on industry participants as designated by regulation and continues to exercise prudence and restraint in the management of its operations. Over the past year, the Government has introduced new measures with respect to procurement, travel and hospitality, and spending practices. The Board has reviewed its own procedures and controls to ensure that we are in full compliance with these new standards.

An important long-term consideration for the Board is attracting the best and brightest students to consider careers in the energy sector. Each year, the Board recruits a group of outstanding university students to experience the challenges and opportunities of working in energy regulation. This year, the Board received very positive feedback on the launch of its new Ontario Student Energy Forum. Coordinating with the Independent Electricity System Operator, Hydro One and the Ontario Power Authority, the Board brought together more than 90 students for a daylong event highlighting the energy sector and how these organizations fit within it. In future, the Ontario Student Energy Forum will be a centrepiece of the Summer Student experience at the Board.

I want, in conclusion, to thank the Board staff on another year of hard work and significant achievement. Their efforts continue to be an outstanding example of public service.

My thanks to all of them.

Aleck Dadson
Chief Operating Officer

BOARD MEMBERS



The Honourable Howard I. Wetston, Q.C., Chair and Chief Executive Officer

Appointed Chair of the Ontario Energy Board on June 30, 2003, Mr. Wetston was reappointed in 2008 for a second five-year term. Prior to this, he served as vice-chair of the Ontario Securities Commission. He has been a Judge of the Federal Court of Canada, Trial Division, and Director of Investigation and Research of the Federal Bureau of Competition Policy (now Commission of Competition). Mr. Wetston was appointed Queen's Counsel in 1990, and is a member of the Ontario and Alberta Bars. His current term with the Ontario Energy Board expires in June 2013.



Gordon Kaiser, Vice-Chair

Gordon Kaiser was appointed Vice-Chair of the Board in July 2004. He has specialized in competition and regulatory law for over 25 years and served as special counsel to the Attorney General of Canada in competition law matters. He has appeared as counsel in regulatory hearings in nine provinces as well as before four different Federal Tribunals. Mr. Kaiser has served as an Adjunct Professor at both Queen's University and the University of Toronto. Mr. Kaiser's term expires in July 2010.



Cynthia Chaplin, Vice-Chair

Cynthia Chaplin was appointed a full-time member in March 2004 and was appointed Vice-Chair of the Board in March 2010. She has 25 years of experience as an economist in the natural gas and electricity sectors, and has worked both in Canada and the United Kingdom. Prior to joining the Board, Ms. Chaplin held senior positions with British Petroleum, Amoco and Britain's gas regulator (Ofgas). Ms. Chaplin's term expires in March 2012.

FULL-TIME BOARD MEMBERS



Paul Vlahos was appointed to the Board in 1994 and served as Interim Chair from December 2002 to June 2003 and Vice-Chair of the Board prior to that. Mr. Vlahos also served as general manager at the Ontario Telephone Service Commission. He has taught economics at the University of New Brunswick and has held several positions in the natural gas utility sector. Mr. Vlahos' term expires in April 2010.



Paul B. Sommerville was appointed as a full-time member in July 2001. He left his family law firm to become director of legal services for the Ontario Trucking Association and, later, was counsel responsible for environmental and health and safety matters for General Motors. Mr. Sommerville's term expires in July 2010.



Ken Quesnelle was appointed as a full-time member in August 2005. Mr. Quesnelle is the former vice-president and assistant general manager of Woodstock Hydro Services Inc. and past chair of the Electricity Distributors Association. Mr. Quesnelle has over 30 years of experience in the utility business, which includes electricity and water distribution as well as water supply and related environmental protection. Mr. Quesnelle's term expires in September 2010.



Paula Conboy was appointed as a full-time member in March 2010. She is the former vice-president of regulatory and government affairs at PowerStream Inc. Ms. Conboy has over 15 years of regulatory experience in the public utility sectors in both Canada and Australia and has worked extensively with a wide variety of stakeholders across Ontario's energy sector. Ms. Conboy's term expires in February 2012.

PART-TIME BOARD MEMBERS



Cathy Spoel was appointed as a part-time member in October 1999. She is a lawyer with more than 15 years of experience in administrative law, with a focus on land use planning, environmental, municipal and energy law. She also specializes in alternative dispute resolution. Ms. Spoel's term expires in February 2012.

DEPARTING BOARD MEMBERS



Pamela Nowina was appointed Vice-Chair of the Board in July 2005 and has been a full-time member of the Board since March 2004. She has more than 20 years of progressively senior management experience in the natural gas and electricity sectors and, as a partner with PricewaterhouseCoopers and IBM Canada Business Consulting Services, was responsible for the strategy practice for the energy sector. Ms. Nowina's term expired in March 2010.



David Balsillie was appointed as a part-time member in June 2007. Dr. Balsillie served as an assistant deputy minister with both the Ministry of Natural Resources and Ministry of Environment and was an Adjunct Professor in the Faculty of Forestry at the University of Toronto. Dr. Balsillie's term expired in June 2009.

EXECUTIVE MANAGEMENT TEAM



Aleck Dadson
Chief Operating Officer



Mark Garner
Managing Director,
Regulatory Policy &
Compliance



Marika Hare
Managing Director,
Applications &
Regulatory Audit



Mary Anne Aldred
General Counsel



Suzanne Cowan
Managing Director,
Communications &
Consumer Relations



Allan Fogwill
Managing Director,
Planning &
Business Services



Julie Mitchell
Managing Director,
Human Resources

MEASURING OUR PERFORMANCE

The Board's 2009-12 Business Plan includes a list of initiatives that the Board will engage in over the three-year period. The initiatives are divided into six categories: electricity distribution; electricity transmission and infrastructure; natural gas; consumers and retail markets; regulatory processes management; and human resources management. The list of initiatives contained in the Board's Business Plan documents the performance measures that the Board has committed to meet.

In order to assess its performance, the Board obtained independent verification of its performance results by engaging the firm OCG Strategy and Organization Consulting. The Board received the audit results on the performance measurement of the 2009 Business Plan from the independent auditor on April 30, 2010.

RESULTS

Overall, the Board achieved 95.2% of the performance measures identified in its 2009-12 Business Plan. The table below shows the percentage of performance measures completed in each of the six categories set out in the Board's Business Plan (rounded off to the nearest number).

Business Plan Performance Measures	Results
Electricity Distribution	94%
Electricity Transmission & Infrastructure	92%
Natural Gas	100%
Consumers & Retail Markets	92%
Regulatory Processes Management	98%
Human Resources Management	100%

Once again, the Board has performed exceedingly well this year. The challenge of continuing this high level of performance has been met by dedicated and professional employees and Board members working for the benefit of stakeholders and in the overall public interest.

SECTOR 1: ELECTRICITY DISTRIBUTION

1.1 Ensure renewable generation connection and Smart Grid implementation are incorporated into distribution system design and operations and that distributors meet these requirements while delivering cost-effective and reliable service to consumers.

STRATEGIC CONTEXT

The Board sees a need for distributors to invest prudently in their financial and human capital in order to meet these requirements while ensuring cost effectiveness. Issues that will be addressed include system planning guidelines, accounting rules for distributor-owned generation, as well as cost responsibility and capacity allocation for connecting renewable energy generation to a distribution system.

Performance Measure Description	Status	Weight	Results
The Board will review its Distribution System Code to address capacity allocation requirements and distributed generation connection cost responsibility.	100%	8	8
The Board will report on the rate and accounting treatment of distributor-owned generation.	100%	4	4
The Board will publish preliminary distribution system expansion planning guidelines.	100%	8	8
The Board will publish a monitoring and reporting framework for distribution system investment activities.	OOC 100%	4	4
The Board will publish revised distribution system expansion planning guidelines.	OOC 100%	8	8
The Board will issue Smart Grid requirements.	LNP	8	N/A
The Board will issue a report on system reliability requirements.	Out of Year	4	N/A

Note: "OOC" refers to the fact that measure was completed after delivery commitment date but before end of fiscal due to factors outside OEB's control.
 "LNP" refers to relevant legislation not passed.

1.2 Ensure electricity distributors have appropriate guidelines for conservation activities and have implemented these programs effectively.

STRATEGIC CONTEXT

Electricity distributors have been involved with conservation program delivery for several years. With the *Green Energy Act, 2009*, they will have new conservation targets to achieve and they may be permitted to achieve those targets through the implementation of Ontario Power Authority programs and/or distributor-specific programs. The Board will adopt measures regarding the design of utility-specific programs and corresponding cost effectiveness requirements to ensure effective programs are delivered to consumers. The Board will also review lost-revenue adjustment mechanisms and shared-savings mechanisms.

Performance Measure Description	Status	Weight	Results
The Board will amend all distributor licences to include conservation and demand management (CDM) targets.	LNP	8	N/A
The Board will develop a code with respect to the roles, responsibilities and targets for distributors in the delivery of CDM.	LNP	8	N/A
The Board will complete its review of all distributor CDM portfolios.	LNP	8	N/A
The Board will develop and implement monitoring and reporting mechanisms to guide the province-wide installation of smart meters and implementation of time-of-use pricing.	100%	4	4
The Board will issue a report on lost-revenue adjustments and revenue decoupling.	100%	8	8

1.3 Establish rate-setting processes that recognize the need for distribution system planning and investment and the mandate of electricity distributors.

STRATEGIC CONTEXT

The cost-of-service and incentive regulation methodologies will be reviewed with a view to ensuring that the Board's approach to rate-making appropriately reflects the new responsibilities of the distributors with respect to planning and system development.

Performance Measure Description	Status	Weight	Results
Filing guidelines for cost-of-service applications will be updated.	100%	4	4
A Board policy on incentives for infrastructure investment will be completed, including its application to electricity transmission.	50%	8	4
A review of the Board's cost of capital policy will be completed, including its application to electricity transmission and natural gas distribution.	100%	8	8
A report will be issued by the Board outlining possible methodology for distribution rate-setting.	Out of Year	4	N/A
A Board policy will be issued on methodology for distribution rate-setting.	Out of Year	4	N/A

GREEN ENERGY ACT

In 2009, the Government enacted the *Green Energy Act* (GEA), which expands the role of the Board and adds to the objectives that define its mandate. In particular, the Board now has the responsibility to promote electricity conservation and demand management, facilitate the implementation of a Smart Grid and promote the use and generation of electricity from renewable sources.

The Board undertook a number of measures in anticipation of the GEA to ensure an appropriate regulatory framework. These included:

- reforming the connection process for generators to make it more rational and efficient;
- standardizing billing and settlement processes for feed-in tariff and micro feed-in tariff generators;
- reforming cost responsibility rules for renewable generation connections;
- providing guidelines on the accounting treatment of distributor-owned generation as a non rate-regulated activity; and
- encouraging rational planning and investment to facilitate network expansion.

This framework helps to ensure that the activities undertaken by industry to fulfill the government's policy objectives will be done in ways that are prudent, cost effective and economically efficient.

With respect to electricity distributors, the *Electricity Act* requires that distributors make certain current and prospective connection-related information available to the public. The GEA also requires that distributors plan their networks to accommodate increasingly large amounts of renewable generation.

A key part of the Board's work was ensuring that its codes and policies were aligned with the goals of the GEA. This resulted in a number of changes that will affect electricity distributors and renewable generators. To ensure that both groups were apprised of the changes, and to help them prepare for the implementation of the GEA, the Board initiated a number of outreach activities.

In July, OEB staff participated in the Ontario Power Authority's province-wide technical workshops to discuss new guidelines for reporting requirements for feed-in tariff and capacity allocation as well as amendments to the Distribution System Code.

This was followed in August by a series of OEB-led workshops with distributors across Ontario, outlining their new regulatory obligations under the GEA. Workshops were held in Thunder Bay, London, Niagara Falls, Kingston, Ottawa and Toronto. A number of follow-up webcasts were also held to keep distributors informed of the changes related to connection and metering, billing and settlement issues, as well as to answer specific questions and concerns related to the GEA.

With regard to renewable generators, Board staff met with representatives to discuss initiatives aimed at facilitating connection as well as to identify any issues or concerns related to the regulatory framework.

In addition, the Chair and other senior staff made presentations to the Association of Power Producers of Ontario, the Canadian Wind Energy Association, the Ontario Water Power Association, the Ontario Sustainable Energy Association (as part of the Community Power Conference) as well as to the Canadian Solar Industry Association Annual Conference.

A series of webcasts was held for generators in the areas of wind, water and solar to clarify changes to the Board's codes and to respond to questions unique to each technology. The Board has posted all of its initiatives related to the GEA on its website, including webcasts, workshops and frequently asked questions.

Through these wide-ranging initiatives, the Board has provided important leadership in helping industry prepare for its new roles and responsibilities under the GEA. These efforts will facilitate the effective implementation of the Act and promote the generation of electricity from renewable sources.

At the same time, the Board has adjusted its own rules and processes to prepare the appropriate regulatory framework. This will facilitate the achievement of the government's policy goals as expressed in the GEA.

SECTOR 2: ELECTRICITY TRANSMISSION & INFRASTRUCTURE

2.1 Appropriate infrastructure investment, including connecting renewable generation, is facilitated in a manner consistent with the policy framework of the Government of Ontario.

STRATEGIC CONTEXT

The Board must consider the financial and other risks faced by transmitters. Mechanisms to advance approval or funding can facilitate infrastructure investment by mitigating these risks. The Board is committed to creating conditions that will foster timely and appropriate investment in transmission infrastructure while ensuring that the interests of ratepayers are protected.

Performance Measure Description	Status	Weight	Results
The Board will review the Transmission System Code (TSC) regarding enabler facilities, designation process and infrastructure investment requirements.	OOC 100%	8	8
The Board will issue Transmission Planning Guidelines, including a process to designate transmitters to undertake development work on connecting renewable generation.	OOC 100%	8	8
A Board policy on incentives for infrastructure investment will be completed, including its application to electricity distribution.	N/A	N/A	N/A
A review of the Board's cost of capital policy will be completed, including its application to electricity and natural gas distribution.	100%	8	8
The approval of the Integrated Power System Plan will be completed within one year from the resubmission of the plan by the Ontario Power Authority.	Out of Year	8	N/A

2.2 The financial cost of transmission infrastructure projects for generation connection properly allocated between end-use consumers and generation project proponents.

STRATEGIC CONTEXT

Electricity infrastructure investment in Ontario is proceeding rapidly. The Ontario Power Authority now has over 10,000 megawatts (MW) of generating capacity under contract, of which 1,750 MW is already in service and a further 6,600 MW of capacity is scheduled to come into service by the end of 2010.

Performance Measure Description	Status	Weight	Results
Connection cost responsibility review for generation connections will be completed and amendments to the TSC will be made.	OOC 100%	8	8
Connection cost responsibility review for load connections will be completed and amendments to the TSC will be made, if needed.	25%	4	1

COST OF CAPITAL

Determining the cost of capital as accurately as possible is key to ensuring appropriate investment is made to maintain service quality and reliability as well as enabling the construction of new infrastructure. The Board has been setting the cost of capital on a formula basis for 12 years, with periodic reviews. During the past year, the Board conducted a thorough review of its policy in the wake of changing economic and financial conditions to ensure the policy and the associated formula remain appropriate and reflect the Fair Return Standard. Many other Canadian regulators have conducted similar reviews.

In September 2009, the Board called together stakeholders and experts to discuss the issues surrounding cost of capital and in December issued the Report of the Board on the Cost of Capital for Ontario's Regulated Utilities. The Report updates the Board's policies regarding the cost of capital and refines the methods the Board will use to determine both debt and equity costs.

The Report:

- Sets out the Board's approach to determine the cost of capital;
- Resets and refines the formula to determine the return on equity;
- Formalizes current guidelines on long-term debt;
- Updates the approach to estimate short-term and long-term debt rates;
- Establishes an annual review process to ensure the results continue to meet the Fair Return Standard; and
- Commits to a review of these policies by 2014.

As a result of the review, the Board has increased the return on equity to meet the Fair Return Standard. The return on equity will position Ontario well in terms of attracting and maintaining investment in the energy sector.

SECTOR 3: NATURAL GAS

3.1 Gas distributors are appropriately incentivized to implement demand-side management and fuel-switching programs.

STRATEGIC CONTEXT

Demand-side management (DSM) programs have been focused on increasing the efficiency of natural gas consumption. The Board will review the guidelines to determine how program effectiveness and regulatory reviews can be made more efficient. The Board anticipates that lost-revenue and shared-savings mechanisms will remain in place. The Board will also consider fuel-switching programs that benefit consumers. These programs focus on increasing energy efficiency by moving consumption, where appropriate, from electricity to natural gas.

Performance Measure Description	Status	Weight	Results
A Board policy on natural gas DSM framework will be released.	100%	4	4

3.2 The Board will review guidelines for regulated gas supply and access to storage and transportation that increase the transparency of service conditions including price.

STRATEGIC CONTEXT

How and when consumers access regulated natural gas services is as important as the cost. Consumer concerns will be addressed through the guidelines to be developed. The Board is seeking approaches that will provide transparency in the market to allow consumers to make informed choices regarding their natural gas services. This objective is supplemental to Consumers & Retail Market initiatives.

Performance Measure Description	Status	Weight	Results
The Board's proceeding to determine the methodology to be used by natural gas distributors for gas commodity pricing, load balancing and cost allocation between supply and delivery functions will be completed.	100%	4	4
The Board will establish rules for the access and operation of storage and transportation services.	100%	4	4
The Board will establish a revised incentive regulation mechanism based on a review of the performance of the current mechanism.	Out of Year	N/A	N/A

3.3 The Board will consider changes to the cost of capital policy for natural gas distributors.

Performance Measure Description	Status	Weight	Results
A review of the Board's cost of capital policy will be completed, including its application to electricity distribution and transmission.	100%	8	8

STORAGE AND TRANSPORTATION ACCESS RULE (STAR)

In 2005 and 2006, the Board conducted a hearing to determine whether it should regulate the rates charged for natural gas storage. The Board's Natural Gas Electricity Review Decision with Reasons, dated November 7, 2006, concluded that prices for certain natural gas storage services would not be regulated. The Board also concluded that it was necessary to ensure customer protection within the competitive natural gas storage market and to ensure non-discriminatory access to transportation services for storage companies and customers. As a result, the Board initiated the development of a Storage and Transportation Access Rule (STAR) that would set out rules of conduct and reporting requirements.

The development of the STAR unfolded in two stages between 2008 and 2009. The first stage involved meetings with stakeholders and the issuance of a staff paper which became the basis for additional discussions with interested parties.

After consideration of all comments received, the Board proceeded to the second stage which involved initiating

the process for formalizing a Rule under section 44(1) (d) of the *Ontario Energy Board Act, 1998*. This culminated on December 9, 2009, with a Notice that a Storage and Transportation Access Rule had been established and would come into force on June 16, 2010.

The Rule ensures customer protection within the competitive natural gas storage market and provides a complaint mechanism for customers. Specifically, the Rule establishes operating requirements to ensure open and non-discriminatory access to transportation services for customers and storage companies. It also outlines conduct and reporting requirements for natural gas transmitters, integrated utilities and storage companies.

As an adaptive regulator, the Board continues to look ahead and to take a long-term approach to issues. The Board will, therefore, review and examine recent developments in North American natural gas supply markets to better understand any potential implications for the Ontario natural gas market. This work is expected to begin in July 2010.

SECTOR 4: CONSUMERS & RETAIL MARKETS

4.1 Board measures are in place to ensure energy service and commodity suppliers treat consumers with respect and in accordance with Board codes and rules.

STRATEGIC CONTEXT

The Board will be increasing its monitoring of the market to ensure this objective is being met. The information gathered will be applied to licensing and enforcement activities and to improving the knowledge of consumers through education programs.

Performance Measure Description	Status	Weight	Results
The Board will amend retailer and marketer codes of conduct to enhance consumer protection.	LNP	4	N/A
A report of retailer/marketer handling of consumers' issues/complaints will be completed and published.	Out of Year	2	N/A
A report of distributors' handling of consumers' issues/complaints will be completed and published.	Out of Year	2	N/A
A review of the Board's compliance and enforcement processes will be completed.	100%	4	4
Report on the results of the 2008-09 compliance program will be issued.	100%	4	4
Quarterly reporting of the Board's compliance program will be implemented.	0	2	0
Compliance Plan will be developed, monitored and reported on annually.	100%	2	2

4.2 Consumer-focused education programs related to conservation, smart meters and time-of-use (TOU) pricing are implemented.

STRATEGIC CONTEXT

The market is changing. Distributors and retailers are providing new programs and tools for consumers to manage their energy use. The Board will ensure that these programs will be properly explained to consumers so they can make informed energy choices.

Performance Measure Description	Status	Weight	Results
Information on consumers' rights and responsibilities is provided through a consumer education campaign and community outreach program.	100%	4	4
The Board will review TOU price structures and implement new TOU pricing.	100%	8	8

4.3 Education programs for low-income consumers regarding conservation and billing management tools are implemented.

STRATEGIC CONTEXT

Low-income consumers face unique challenges. The Board will guide the development of programs to assist low-income consumers in the management of their energy bills and energy consumption.

Performance Measure Description	Status	Weight	Results
The Board will implement its low-income policy and code amendments.	LNP	2	N/A
Educational outreach materials will be integrated into the Board's education and outreach program.	LNP	2	N/A

4.4 First Nations and Métis involvement in Board processes is enhanced.

STRATEGIC CONTEXT

The Board will develop education and outreach programs to support the understanding of energy sector regulatory activities among First Nations and Métis and foster their involvement in Board processes.

Performance Measure Description	Status	Weight	Results
Mechanisms for First Nations and Métis to participate in Board processes will be developed and implemented.	Out of Year	4	N/A

WEBSITE REDESIGN

Content tailored to the user. New features. Easier searches. A fresh look. These are just some of the changes resulting from the comprehensive redesign of the Board's website in 2009-10.

Each year, the OEB website receives more than 390,000 visitors who view over one million pages. While both consumers and industry visit the OEB site, our research indicated that they came for different purposes and sought different information.

For industry, the site is a critical source of information about the Board's rules and codes as well as its decisions, hearings and stakeholder consultations. Moreover, the e-filing portal is the means by which regulated entities file their applications to the Board and submit reporting and record-keeping documents.

For consumers, the website provides a wealth of knowledge which enables informed energy choices in an increasingly complex environment. This includes information on smart meters, time-of-use pricing and other issues that are relevant to their lives.

To address the different users of the website, we decided to split our online presence into two separate and distinct sites – one focused on industry and the other on consumers. This enabled us to provide content targeted to each audience, improving the usability and overall experience for both.

We have been gratified with the positive response to the new format. In the two months following the redesign, visitor traffic increased by 25 per cent over the same period the year before. San Francisco-based energy consultant, Dr. Ahmad Faruqi of The Brattle Group, stated that it is the most informative and best organized consumer-oriented website he has encountered, including utilities and regulators. The Board will continue to look for new ways to improve its web presence in order to communicate with both industry and consumers.

www.oeb.gov.on.ca



COMPLIANCE & CONSUMER ACTIVITIES

One of the ways that the Board provides confidence to consumers is through its audit and compliance programs. The Board's Retail Compliance Plan reviewed retail energy companies' ("retailers") compliance with the consumer protection provisions of the *Ontario Energy Board Act, 1998*, as well as their adherence to Board codes and rules. A staff report, issued during the 2009-10 year, detailed the findings and observations of the inspections encompassed in the Plan.

The Board staff's report indicated that retailers were in compliance with the specific areas inspected. However, Board staff also identified areas where changes to retailer policies and practices would enhance consumer protection and industry professionalism. These include the performance of quality assurance audits and improvements in policies and practices related to sales agent conduct, cancellations and record keeping (particularly in the area of contract renewals). Board staff expects its observations to provide guidance to retailers on how they conduct their business and, ultimately, result in fewer consumer complaints in these areas.

In 2010-11, Board staff will conduct reviews of the handling of retailer/marketer consumer complaints. A staff report will be issued upon completion of those reviews.

Informing the public about their rights and responsibilities in the energy sector is another important part of the OEB's mandate. During the 2009-10 period, the Board received 42,271 contacts from consumers – by phone, written correspondence and email. Of these, 7,576 complaints were registered as follows:

Consumer Complaints Received in 2009-10

Retailer/Marketer – Contract Issues	4,992
Retailer/Marketer – Agent Conduct	1,523
Utility	673
Retailer/Marketer – Customer Service	230
Other	158
Total	7,576

A complaint is "escalated" if it has not been resolved to the consumer's satisfaction. Staff reviewed 1,839 escalated complaints to determine whether the company complied with its legal and regulatory obligations. Over the period of this report, \$577,330 was reimbursed to consumers as a result of staff review of complaints.

The Board also engages with consumers through a focused Consumer Communications and Outreach Plan, building on the success of earlier initiatives such as *The Energy Choice is Yours* campaign. The Plan is aimed at empowering residential and small business consumers to become informed about the energy sector, their options for energy supply and the Board's role in facilitating the resolution of consumer issues.

A key component of the Plan is outreach to stakeholders who are closely aligned with consumers. In 2009-10, this involved some 20 events including community tour days across Ontario and meetings with MPPs' constituency offices, Ombudsman Ontario, as well as the corporate liaison for Ontario Works/Ontario Disability Support Program. These activities were in addition to the Board's ongoing meetings with electricity and natural gas utilities and other stakeholders to discuss communications initiatives and challenges.

Looking ahead, the 2010-11 Plan builds on previous experience and lessons learned, creating new opportunities to reach consumers and empowering them to make informed energy choices.

MANAGEMENT INITIATIVE: REGULATORY PROCESSES MANAGEMENT

This section describes measures that the Board undertakes to maintain or improve its service and respond to the needs of its stakeholders.

5.1 Improve general regulatory policy tools.

Performance Measure Description	Status	Weight	Results
An audit plan taking into account energy sector risks will be approved and put into effect for monitoring regulated entities.	100%	4	4
Regulatory accounting policies for International Financial Reporting Standards (IFRS) will be issued.	100%	8	8
A process to track activities that flow out of the results of the Stakeholder Perception Index survey will be documented and implemented.	100%	2	2
An annual regulatory process improvement plan will be implemented to increase the efficiency and effectiveness of regulatory processes.	Out of Year	2	N/A

5.2 Maintain time commitments to regulatory processing.

Performance Measure Description	Status	Weight	Results
Published timelines for processing applications will be met 75% of the time.	100%	8	8
Parties contacting the Market Operations Hotline will receive a complete response within five business days, 85% of the time and the remainder will receive a complete response within 45 days.	100%	8	8
Compliance matters will be resolved in accordance with the Board's performance requirements by providing a compliance determination letter within 150 days, at least 85% of the time.	100%	8	8
The resolution of disputes between regulated companies and consumers will be facilitated within 90 days, 90% of the time.	100%	4	4
The Board's Stakeholder Perception Index will be updated in 2010 with the overall satisfaction rating of the Board's performance at 6.0 or better.	Out of Year	4	N/A
Calls to the Consumer Relations Centre are answered within 20 seconds, 80% of the time.	69.6%	4	2.8
General correspondence is responded to within 15 business days, 80% of the time.	100%	4	4
Consumer voicemail is responded to by the next business day, 80% of the time.	100%	2	2

TABLE: APPLICATIONS PROCESSED 2009-10

The Board operates under performance standards that establish clear milestones for each step of the application process, from start to finish. The following chart outlines the number of applications processed by the Board in 2009-10 for each category.

ELECTRICITY

Type of Application	Number
Facilities	13
Licence	41
Licence Amendments	39
Corporate changes (mergers, acquisitions, amalgamations, divestitures)	16
Rates	184
Other	21
Sub-total	314

NATURAL GAS

Type of Application	Number
Certificates	6
Facilities	5
Franchise	13
Licence	7
Corporate changes (mergers, acquisitions, amalgamations, divestitures)	0
Rates	14
Other	5
Sub-total	50

Grand Total	364
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MANAGEMENT INITIATIVE: HUMAN RESOURCE MANAGEMENT

This section describes measures that the Board undertakes in its management of human resources.

Performance Measure Description	Status	Weights	Results
6.1.1 The Employee Engagement Index will be updated through employee surveys.	100%	4	4
6.1.2 The Human Resource Strategy will be reviewed and revised accordingly.	100%	8	8
6.1.3 A learning and development program will be prepared and implemented.	100%	4	4

REPORT ON REGULATORY COSTS

Consistent with its commitment to good corporate governance, the Board reports annually on the regulatory costs associated with oversight of Ontario's gas and electricity sectors. The following three measures are identified:

- three-year moving average percentage change in operating expenses;
- three-year moving average of operating expenses as a percentage of industry revenue, and;
- three-year moving average of operating expenses per end-use customer.

The following chart illustrates the rolling three-year averages for each of these regulatory cost measures:

	2009-10	2008-09	2007-08
Operating Expenses ^a	\$ 32,618,479	\$ 33,898,410	\$ 32,180,496
Measure #1: Percentage Change in Operating Expenses	-3.78%	5.34%	7.41%
3-Year Rolling Average	2.99%	10.11%	9.60%
Industry Revenue (\$B) ^b	\$ 21.6	\$ 20.7	\$ 21.1
Measure #2: Operating Expense as % of Industry Revenue	0.15%	0.16%	0.15%
3-Year Rolling Average	0.16%	0.16%	0.14%
Electric Customers ^c	4,741,088	4,700,898	4,638,808
Natural Gas Customers	3,219,518	3,181,316	3,208,500
Measure #3: Operating Expense per Customer (\$/r/customer)	\$ 4.10	\$ 4.30	\$ 4.10
3-Year Rolling Average	\$ 4.17	\$ 4.09	\$ 3.78

Notes:

- Source: Ontario Energy Board, Financial Statements. The figure used is Total Expenses as reported in the Statement of Operations and Net Assets. Total expenses include Board costs recoverable under Section 30 of the *Ontario Energy Board Act, 1998*, of \$1,218,034 in 2009-10, \$1,593,956 in 2008-09, and \$1,897,821 in 2007-08. Intervenor and stakeholder costs that regulated entities were ordered to pay are not a cost of the Board and are therefore not included in total expenses.
- Source: 2007-08 to 2009-10 estimates based on various OEB and Statistics Canada sources.
- Source: Annual Reports.

Commentary:

Measure #1: Percentage Change in Operating Expenses

The 4% decrease in operating expenses from 2008-09 to 2009-10 reflects significant efforts to reduce costs over the 12-month period, including achievement of a 5% reduction in discretionary spending. Staff and Board Member costs account for two-thirds of the OEB's annual costs and, year over year, as with most organizations, this amount has an annual increase to cover the cost of living (2-3%). However, the percentage increase year over year has decreased.

Measure #2: Operating Expense/Industry Revenue

Industry revenue has remained the same over the 3-year period from 2007-08 to 2009-10. OEB operating expenses as a percentage of industry revenue remained consistent over this same period.

Measure #3: Operating Expenses per Customer

Operating expenses per customer decreased by \$0.20 (5%) from 2008-09 to 2009-10 due to the decrease in OEB operating expenses, as explained in Measure #1 above.

SECTION 30: COST AWARDS

Section 30 of the *Ontario Energy Board Act, 1998*, states that the Board "may order a person to pay all or part of a person's costs of participating in a proceeding before the Board, a notice and comment process under section 45 or 70.2 or any other consultation process initiated by the Board." These costs may also include the costs of the Board.

The following outlines the cost award activity for the 2009-10 fiscal year:

	2009-10
Board's costs recoverable under section 30 cost awards (Note 1)	\$ 1,218,034
Intervenors'/Stakeholders' costs recovered under section 30 cost awards for applicant driven proceedings (Note 2)	
– natural gas proceedings	\$ 947,290
– electricity proceedings	\$ 3,665,282
Intervenors'/Stakeholders' costs recovered under section 30 cost awards for consultation processes initiated by the Board (Note 2)	\$ 604,944
Total 2009-10 Cost Award Activity	\$ 6,435,550

Note 1) These costs represent costs the Board incurred in relation to specific proceedings or consultation processes (e.g. consulting services, court reporting and external meeting sites). These costs are reflected in the Board's financial statements for the year ended March 31, 2010. Regulated entities are ordered to pay these costs to the Board in relation to the specific proceedings and consultation processes.

Note 2) These costs represent costs that regulated entities were ordered to pay to intervenors in proceedings and stakeholders in consultation processes. These costs do not appear in the Board's financial statements.

FINANCIAL STATEMENTS 2009-10

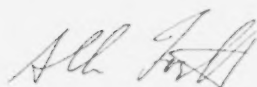


MANAGEMENT'S RESPONSIBILITY

The Ontario Energy Board's management is responsible for the integrity and fair presentation of the financial statements and other information presented in the annual report. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements necessarily involves the use of management's judgment and best estimates, particularly when transactions affecting the current accounting period cannot be determined with certainty until future periods.

The Board maintains systems of internal accounting controls designed to provide reasonable assurance that reliable financial information is available on a timely basis and that the Board assets and liabilities are adequately accounted for and assets safeguarded.

The financial statements have been reviewed and approved by the Board's Management Committee. In addition, the financial statements have been audited by the Auditor General of Ontario, whose report follows.



Allan Fogwill
Managing Director, Planning & Business Services

June 30, 2010



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

AUDITOR'S REPORT

To the Ontario Energy Board

I have audited the statement of financial position of the Ontario Energy Board as at March 31, 2010 and the statements of operations and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Toronto, Ontario
June 30, 2010

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2010

ASSETS	2010	2009
Current Assets:		
Cash	\$ 12,290,027	\$ 11,395,939
Accounts receivable	228,125	57,473
Regulatory process costs to be assessed	815,719	1,023,141
Deposits and prepaid expenses	352,766	231,373
Total Current Assets	13,686,637	12,707,926
Capital assets (note 5)	5,692,797	6,698,582
TOTAL ASSETS	\$ 19,379,434	\$ 19,406,508
LIABILITIES		
Current Liabilities:		
Deferred revenue (note 3b)	\$ 3,117,597	\$ 1,089,319
Accounts payable and accrued liabilities	4,334,567	4,888,566
Total Current Liabilities	7,452,164	5,977,885
Long-term Liabilities:		
Deferred revenue related to capital assets (note 3c)	3,138,642	3,882,463
Deferred rent inducement (note 8)	3,297,287	3,635,459
Pension liability (note 6b)	324,993	298,701
Total Long-term Liabilities	6,760,922	7,816,623
TOTAL LIABILITIES	14,213,086	13,794,508
Operating Reserve (note 4)	4,893,848	4,710,260
Net Assets:		
Unrestricted Net Assets (note 7)	—	704,240
Internally Restricted Net Assets (note 7)	272,500	197,500
TOTAL LIABILITIES, RESERVE AND NET ASSETS	\$ 19,379,434	\$ 19,406,508

See accompanying notes to financial statements

On behalf of the Management Committee:



Howard Wetston
Chair



Cynthia Chaplin
Vice-Chair

STATEMENT OF OPERATIONS AND NET ASSETS

YEAR ENDED MARCH 31, 2010

REVENUES	2010	2009
<i>Recovery of Costs:</i>		
General cost recovery (note 3a)	\$ 28,296,698	\$ 29,332,441
Amortization of deferred revenue related to capital assets	1,955,215	2,225,702
Regulatory process costs	1,218,034	1,593,956
Total Revenues from Recovery of Costs	31,469,947	33,152,099
<i>Other Revenues:</i>		
Interest income	71,287	380,657
Licence fees	365,398	356,265
Administrative penalties (note 7)	75,000	197,500
Miscellaneous income	7,607	9,389
Total Other Revenues	519,292	943,811
TOTAL REVENUES	31,989,239	34,095,910
EXPENSES		
Salaries and benefits	23,476,331	22,982,241
Consulting and professional	2,491,021	3,454,340
Premises	2,296,187	2,236,842
Meetings, training and travel	721,584	844,555
Information technology	622,653	624,854
Publications, media and publishing	533,551	699,729
Office and administration	521,937	830,147
Amortization	1,955,215	2,225,702
TOTAL EXPENSES	32,618,479	33,898,410
(DEFICIENCY) SURPLUS OF REVENUES OVER EXPENSES	(629,240)	197,500
Net Assets, beginning of period (note 7)	901,740	704,240
NET ASSETS, end of period	\$ 272,500	\$ 901,740

See accompanying notes to financial statements

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2010

<i>Net inflow (outflow) of cash related to the following activities:</i>	2010	2009
OPERATING		
Assessment billed	\$ 31,536,370	\$ 28,558,331
Regulatory process costs revenue	1,218,034	1,593,956
Other revenues	519,292	943,811
Expenses	(32,618,479)	(33,898,410)
Excess (Deficiency) of Revenues over Expenses	655,217	(2,802,312)
Adjustment for Non-cash Expenses:		
Amortization of capital assets paid by Board	1,955,215	2,225,702
Amortization of leasehold improvements paid by landlord	261,965	261,965
Net Adjustment for Non-cash Expenses	2,217,180	2,487,667
Changes in Non-cash Working Capital:		
Accounts receivable	(170,652)	2,737,056
Regulatory process costs to be assessed	207,422	499,395
Deposits and prepaid expenses	(121,393)	(39,044)
Deferred revenue	—	(7,850,435)
Operating Reserve	183,588	—
Accounts payable and accrued liabilities	(553,999)	(437,798)
Pension liability	26,292	68,400
Deferred rent inducement	(338,172)	(338,172)
Changes in Non-cash Operating Working Capital	(766,914)	(5,360,598)
Net Cash from Operating Activities	2,105,483	(5,675,243)
INVESTING		
Capital asset purchases	(1,211,395)	(1,034,693)
Net Cash Used in Investing Activities	(1,211,395)	(1,034,693)
NET CHANGE IN CASH	894,088	(6,709,936)
Cash, beginning of period	11,395,939	18,105,875
Cash, end of period	\$ 12,290,027	\$ 11,395,939

See accompanying notes to financial statements

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2010

1. NATURE OF THE CORPORATION

The Ontario Energy Board (the "Board") is the regulator of Ontario's natural gas and electricity industries. The Board also provides advice on energy matters referred to it by the Minister of Energy and Infrastructure and the Minister of Natural Resources.

Effective August 1, 2003, and pursuant to the *Ontario Energy Board Act, 1998*, the Board was continued as a corporation without share capital empowered to fully recover its costs from natural gas and electricity industry participants.

As an agent of Her Majesty in right of Ontario, the Board is exempted from federal and provincial income taxes under the *Income Tax Act* and from goods and services taxes under the *Excise Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies followed in the preparation of these financial statements include:

a) Revenue Recognition

Revenues received in the 2009-10 fiscal year that relate to subsequent years are not recognized as revenue and are deferred. Recognition of revenue related to the recovery of costs is matched to the expenses of the Board as follows:

- General cost recovery related to the expenses of the Board is recognized as revenue to the extent that they are in excess of regulatory process costs, amortization of deferred revenue related to capital assets, and other revenues. Revenue amounts assessed in excess of actual costs related to 2009-10 are referred to as a true-up (note 3b).
- Revenue from administrative penalties assessed against individual market participants under s. 112.5 of the *OEB Act, 1998*, is recognized in the year they are assessed provided that at the time ultimate collection is reasonably assured. Revenue from administrative penalties will not be used to reduce the general cost recovery as per the OEB Cost Assessment Model (note 7).
- Amortization of deferred revenue related to capital assets is recognized as revenue on the same basis that the underlying capital assets are amortized. Revenue related to capital asset expenditures is deferred because they have been billed in advance (note 3c).
- Regulatory process costs are recognized as revenue as related expenses are incurred.

Other revenues are recognized when received and receivable.

b) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets, beginning in the fiscal year following the acquisition, as follows:

Office furniture and equipment	5 years
Computer equipment and related software	3 years
Audio visual equipment	3 years
Leasehold improvements	over term of lease

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Financial Instruments

Under Canadian generally accepted accounting principles, all financial instruments are classified into one of the following five categories: held-for-trading, held to maturity, loans and receivables, available for sale financial assets, or other financial liabilities.

All financial instruments are required to be measured at fair value upon initial recognition except for certain related party transactions. After initial recognition, financial instruments should be measured at their fair values, except for financial assets classified as held to maturity or loans and receivables and other financial liabilities, which are measured at cost or amortized cost.

The Board has adopted the following classifications for financial assets and financial liabilities:

- Cash is classified as held for trading and recorded at fair value.
- Accounts receivable and regulatory process costs to be assessed are classified as loans and receivables and are valued at face value which approximates fair value given their short term maturities.
- Accounts payable and accrued liabilities are classified as other financial liabilities and are recorded at face value which approximates fair value given their short term maturities.

It is management's opinion that the Board is not exposed to significant interest rate, currency, liquidity or credit risk arising from its financial instruments due to their nature.

d) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles require that management make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and recoveries for the year. Actual amounts could differ from these estimates.

e) Employee Pension Plans

The Board's full-time employees participate in the Public Service Pension Fund (PSPF) which is a defined benefit pension plan for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF, determines the Board's annual payments to the fund. Since the Board is not a sponsor of these funds, gains and losses arising from statutory actuarial funding valuations are not assets or obligations of the Board, as the sponsor is responsible for ensuring that the pension funds are financially viable. The Board's expense is limited to the required contributions to the Fund.

The Board also established a supplementary unfunded pension plan for the Chair as described in note 6b. The Board accrues its obligations and the related cost under this supplemental unfunded pension plan. The actuarial liability and the current service cost is determined by independent actuaries using the projected benefit method, pro-rated on management's best estimate assumptions.

3. INDUSTRY ASSESSMENTS FOR 2009-10

During the 2009-10 fiscal year, the natural gas and electricity industry participants were assessed estimated costs for the 2009-10 fiscal year based on budgeted amounts. Amounts assessed in excess of actual costs are a true-up and are reported as current deferred revenue. The 2009-10 true-up will be used to reduce the 2010-11 fiscal year assessment. The calculation of the general cost recovery, true-up and deferred revenue are outlined in the following tables.

a) 2009-10 General Cost Recovery

Salaries and benefits	\$ 23,476,331
Consulting and professional	2,491,021
Premises	2,296,187
Meetings, training and travel	721,584
Information technology	622,653
Publications, media and publishing	533,551
Office and administration	521,937
Amortization	1,955,215
Total expenses	\$ 32,618,479
Regulatory process costs, amortization of deferred revenue related to capital assets, and other revenues (excluding administrative penalties note 7)	(3,617,541)
Elimination of Ministry of Energy Grant (note 7)	(704,240)
General cost recovery at March 31, 2010	\$ 28,296,698

b) 2009-10 Current Deferred Revenue (2009-10 True-up)

General cost recovery (note 3a)	\$ 28,296,698
2009-10 Capital expenditures paid by the OEB	1,211,395
Total assessment (actual)	\$ 29,508,093
Total assessment (budget)	32,625,690
2009-10 Current Deferred Revenue (2009-10 True-up)	\$ 3,117,597

3. INDUSTRY ASSESSMENTS FOR 2009-10 (CONTINUED)

c) 2009-10 Deferred Revenue Related to Capital Assets

Revenues related to capital asset expenditures are deferred because they have been billed in advance with the exclusion of leasehold improvements paid by the landlord, which were not included in the assessments. As part of the leasehold inducements included in the lease agreement, the landlord paid for \$3,540,400 of leasehold improvements on behalf of the Board since the start of the lease on January 1, 2005.

Net book value of capital assets 2009-10	\$ 5,692,797
Leasehold improvements paid by landlord	(3,540,400)
Accumulated amortization of leasehold improvements paid by landlord	986,245
2009-10 Deferred revenue related to capital assets	\$ 3,138,642

4. OPERATING RESERVE

As part of its self-financing status, the Board was allowed to establish an operating reserve up to 15% of the current annual assessment, which is adjusted on an annual basis. The operating reserve is to be used for cash flow management and to support working capital requirements. The Board is reducing the operating reserve to 12.5% in fiscal year 2010-11, and anticipates reducing the operating reserve to 10% in fiscal year 2011-12 as reflected in the 2010-2013 budget approved budget submission to the Ministry of Energy and Infrastructure.

2009-10 Operating Reserve

Operating reserve as at March 31, 2009	\$ 4,710,260
Adjustment to the operating reserve	183,588
Operating reserve as at March 31, 2010	\$ 4,893,848

5. CAPITAL ASSETS

	Cost	Accumulated amortization	Net book value 2010	Net book value 2009
Office furniture and equipment	\$ 2,507,325	\$ 2,161,001	\$ 346,324	\$ 714,258
Computer equipment and related software	8,044,258	5,979,923	2,064,335	2,487,531
Audio visual equipment	870,087	833,865	36,222	82,136
Leasehold improvements	4,408,093	1,162,177	3,245,916	3,414,657
	\$ 15,829,763	\$ 10,136,966	\$ 5,692,797	\$ 6,698,582

6. EMPLOYEE FUTURE BENEFITS

- a) The Board's contribution to the Public Service Pension Plan for the 2009-10 fiscal year was \$1,310,165 (2009 – \$1,199,319) and is included in salaries and benefits costs on the Statement of Operations and Net Assets.
- b) The unfunded supplemental pension plan for the Board's Chair had an accrued total benefit obligation of \$406,227 (2009 – \$236,532) and an accrued benefit liability with respect to the Board of \$324,993 (2009 – \$298,701). The Board's expense for the year was \$26,292 (2009 – \$68,400) and is included in salaries and benefits costs. No benefits were paid during the year (2009 – \$0). The significant actuarial assumptions adopted at March 31, 2010 included a discount rate of 4.25% (2009 – 5.75%).
- c) The Board is not responsible for the cost of employee post-retirement, non-pension benefits. These costs are the responsibility of the Province of Ontario, a related party.

7. RELATED PARTY TRANSACTIONS AND NET ASSETS

The Ministry of Energy provided a grant for one time transition funding of \$704,240 related to the substantial transfer of Ministry employees to the Board on March 29, 2004. With the approval of the Ministry of Energy and Infrastructure, the Board has eliminated the unrestricted net asset amount by operating at a deficit by reducing the general cost recovery by \$704,240 (note 3a) in fiscal year 2009-10.

The internally restricted net assets at March 31, 2010 represent revenue from administrative penalties of \$272,500 assessed against individual market participants under s. 112.5 of the *Ontario Energy Board Act, 1998*. According to the OEB Cost Assessment Model, revenue from administrative penalties will not be used to reduce payments under the general assessment. Revenue from administrative penalties is internally restricted by the Management Committee to support activities relating to consumer education, outreach and other activities in the public interest.

The changes in internally restricted net assets are as follows:

Balance, beginning of the year	\$ 197,500
Administrative penalties issued in 2009-10	75,000
Balance, end of the year	\$ 272,500

8. DEFERRED RENT INDUCEMENT AND OPERATING LEASE COMMITMENTS

The Board entered into a lease commitment for its office space during the 2004-05 fiscal year, which included various lease inducements. Deferred rent inducement represents the benefit of operating lease inducements which are being amortized on a straight-line basis over 15 years, being the term of the lease.

The changes in deferred rent inducements are as follows:

	2010	2009
Balance, beginning of the year	\$ 3,635,459	\$ 3,973,631
Less: Amortization of deferred rent inducement netted against premises expense	(338,172)	(338,172)
Balance, end of the year	\$ 3,297,287	\$ 3,635,459

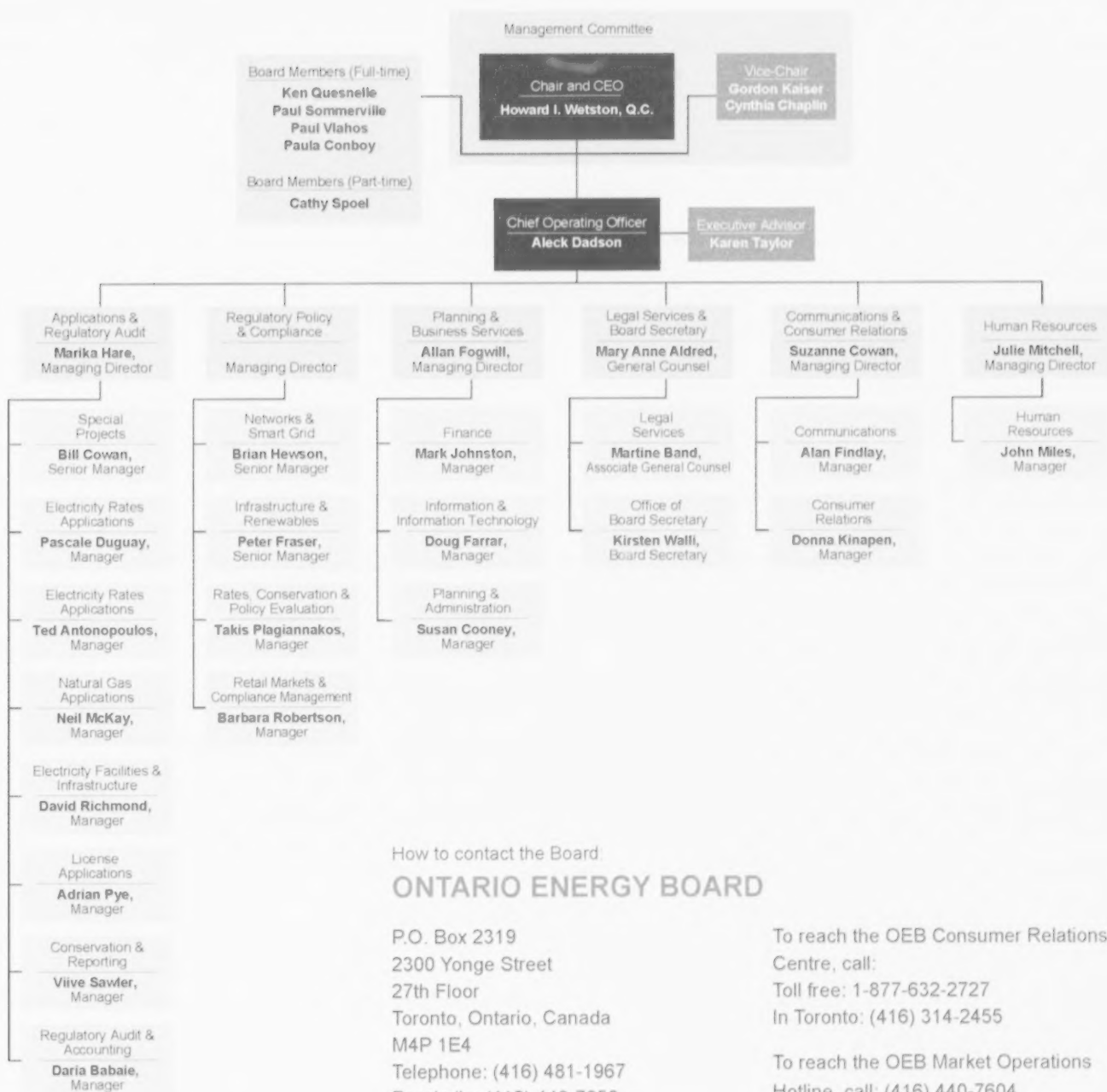
The minimum annual payments under the operating lease for the remaining 10 years and in aggregate are as follows:

2011	\$ 2,300,770
2012	2,345,652
2013	2,396,313
2014	2,441,542
2015 and thereafter	15,689,963
	\$ 25,174,240

The Board is in the process of finalizing a short-term lease to accommodate office renovations that would commit the Board to additional payments totaling \$170,915 for four months in 2010-11.

ORGANIZATIONAL CHART

As at March 31, 2010



How to contact the Board

ONTARIO ENERGY BOARD

P.O. Box 2319
2300 Yonge Street
27th Floor
Toronto, Ontario, Canada
M4P 1E4
Telephone: (416) 481-1967
Facsimile: (416) 440-7656
Toll-free in Canada: 1-888-632-6273
E-mail: info@oeb.gov.on.ca

To reach the OEB Consumer Relations
Centre, call:
Toll free: 1-877-632-2727
In Toronto: (416) 314-2455

To reach the OEB Market Operations
Hotline, call: (416) 440-7604

Copies of this annual report, as well as other Board
publications, may be obtained from the Board.

The Board's Web site is located at
www.oeb.gov.on.ca